

Wisconsin Managed Forest Law *“straw dog”*

Wisconsin Council of Forestry
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Assignment

Make a cursory review of other forest management tax incentive programs to evaluate their respective approach to providing a the tax incentive versus the approach of the Managed Forest Law (MFL).

Presentation Outline

- Methodology
- Comparison of Selected Forest Tax Incentive Programs
 - Principles
 - Common Program Components
- Observations

Methodology(1)

- Identified Managed Forest Law (MFL) Principles
 - Purpose as defined in Wisconsin Statute 77.80, 77.89
- Compare MFL Principles and Approach to other forest tax incentive programs that were similar in there:
 - Forest Management Tax Incentive History.
 - Percentage of forestland in NIPF ownership.
 - View and value Sustainable Forest Management.
 - Ranking of the Forest Industry Sector to the states economy.

Criteria for Similarities

Criteria	WI
First Year of Forest Tax Incentive Program	1927
% of Forestland NIPF	60%
Value/View of Sustainable Forest Management (millions of third-party certified acres)	7.3
Rank of Economic Output of the Forestry Industry Sector	Top 5

States and Program for Comparison

Criteria	WI	MI	MN
First Year of Forest Tax Incentive Program	1927	1925	1927
% of Forestland NIPF	60%	55%	40%
Value/View of Sustainable Forest Management (millions of third-party certified acres)	7.3	5.8	8.5
Rank of Economic Output of the Forestry Industry Sector	Top 5	Top 10	Top 5

Selected Programs for Comparison

Michigan Commercial Forest Act (CFA)

Michigan Qualified Forest Property Tax Program (QFP)

Minnesota Sustainable Forest Incentive Act (SFIA)

Methodology(3)

- Selected Common Program Components
 - Acres
 - Commitment Period
 - Management Plan Provision
 - Voluntary Withdrawal Mechanism
 - Application Fee
 - Public Access/Use
 - Tax Provision
 - Residence Provision

Component Similarities/Differences(1)

- Acres – Range 10 – 40 acres; some degree of forested land or degree of productivity.
- Commitment Period – Landowner’s discretion
 - MN minimum of 8 years
- Management Plan – required, approved by DNR, Plan Writers need DNR approval.
 - MI QFP – accepts Plans approved by FSC and SFI
- Voluntary Withdrawal Mechanism – yes
 - MN after withdrawal acres exempt from enrolled for 3 years.
- Public Access/Use – WI and MI CF Program
 - MI QFP not required
 - MN if > 1,920 acres enrolled for fish and wildlife resources.

Component Similarities/Differences(2)

- Tax Provision – adjusted periodically; amount based on acres enrolled.
 - WI – offers two options- ‘open’ and ‘closed’ and yield tax.
 - MN – pays landowner; payment taxable income.
 - MI QFP – reduction in school operating taxes.
- Residence Provision – none allowed on the acres enrolled.

Program	Total Acres Enrolled (thousands)	Acres – Large Owners (thousands)	Acres – Small Owners (thousands)
WI - MFL	3,000	.750	2,500
MI - CFA	2,200	1,800	.250
MI - QFP	.220	N/A	N/A
MN - SFIA	.740	N/A	N/A

Observations

- WI is further along than MI and MN in addressing tax incentive programs for small private forest owners.
 - MI and MN – 30% and 35%, respectively, is owned by state, county, industry resulting in limited focus on NIPF in the past.
 - WI – 21% forest land owned by state, county, industry
- The MFL Program is more robust (complex and complete) than programs in MI and MN.
- WI MFL requirement of ‘mandatory’ practices increases the probability of wood being harvested.
 - MI CFA – DNR verifies compliance following harvest.
 - MI QFP – landowner “attest” to follow plan; annual report from landowner required when trees are harvested.
 - MN SFIA – landowner signs annual Letter of Certification.
- MFL is third-party certified to FSC and ATFS Forest Management Standards; programs in MI and MN are not.

Observations(2)

- In 2014 the Minnesota Forest Resources Council made the following recommendations¹ to the SFIA.
 - Clarify the goals of the Program regarding benefits of the program for small and large owners.
 - Identify SFIA as an incentive program rather than as a tax break; this would permit an administrative shift from DOR to DNR.
 - Implement a two-tiered payment – higher payment for landowner who provide public access and lower for those who do not. *(MFL)*
 - Private landowner forest management plans should be registered with the DNR. *(MFL)*
 - DNR should be charged with periodically reviewing landowner compliance of the participants to the SFIA program requirements. *(MFL)*

1 - Minnesota Forest Resources Council, Report on the Competitiveness of Minnesota's Primary Forest Products Industry, December 2014